

Ministry of
Energy and Mines

2001/02
Annual Report
A New Era Update



Ministry of
Energy and Mines

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Introductory Note — A Year of Transition

The Government of British Columbia and its ministries are committed to reporting on performance. The *Budget Transparency and Accountability Act* (BTAA), as amended in August 2001, provides the legislative framework for a regular cycle of planning, reporting and accountability. Under the BTAA, ministries are responsible for producing three year service plans (previously called performance plans), which are updated yearly, and annual service plan reports (formerly called performance reports). The amended BTAA takes effect beginning with the 2002/03 fiscal year. The first three-year service plans, covering the period 2002/03 to 2004/05, were released with the provincial budget on February 19, 2002.

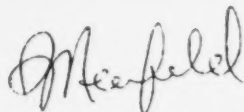
This annual report relates to the previous fiscal year, covering April 1, 2001, to March 31, 2002. This was a transition year, with a new government sworn into office on June 5, 2001. On that day, there was an extensive reorganization of ministries, which were given significant new policy direction and tasked with the responsibility for implementing the government's *New Era* commitments. Later in the year, ministries proceeded through the core services review, which refined the mandates of ministries and identified the strategic shifts required to move government toward its long-term objectives.

This report provides an update on all that activity and also provides a report on performance, approaching the model provided by the BTAA as closely as is possible in the circumstances. An annual report would normally relate back to a preceding plan and report on the results achieved compared with the intentions outlined in that plan. In this case, the preceding plan was produced before the adoption of the significant changes outlined above, and as noted, this ministry has been significantly reorganized, and policies and priorities have changed. This limits the extent to which performance information as described in the previous plan is useful.

Consequently, this report sets out the ministry's redefined role and the services it provides, and — within the context of its goals and objectives as they evolved through the year — describes the achievements of the ministry and the performance targets being used to measure success.

Accountability Statement

The 2001/02 Ministry of Energy and Mines Annual Report was prepared under my direction and I am accountable for the results the ministry achieved since June 5, 2001. This report describes progress made in this first year on the government's *New Era* commitments, which are to be addressed by May 17, 2005.

A handwritten signature in dark ink, appearing to read "Neufeld", is positioned above the printed name.

Richard Neufeld
Minister of Energy and Mines

June 24, 2002



Ministry of Energy and Mines



Fiscal year 2001/02 marked the dawn of a *New Era* in British Columbia and the beginning of a new way of doing business for the Ministry of Energy and Mines. The ministry's new focus is designed to foster investment, revitalize the energy and minerals sectors, and generate renewed economic strength and prosperity in B.C.

Under the leadership of Premier Gordon Campbell, government has taken bold steps to create a brighter future in B.C. Aggressive tax cuts and deregulation have laid the foundation for economic growth now and in the years ahead. My ministry is building on that foundation to ensure the energy and minerals sectors play key roles in revitalizing the economy and re-establishing British Columbia

as a leading North American investment location.

This year the ministry shifted to streamlined, results-based industry regulations and performance-based compliance and enforcement measures. The days of prescriptive regulation and policies are over. The goal is to make it more efficient and cost-effective for energy and minerals companies to do business in British Columbia while upholding high environmental, health and safety standards.

We enhanced the single-window permitting authorities of the B.C. Oil and Gas Commission to ensure more permits are approved, faster. Cuts and changes to regulation provide greater access and certainty for oil and gas operators. We also moved toward a streamlined, single-window authority for mining to eliminate duplication and encourage mineral exploration. Our recently launched investment attraction strategy highlights these changes and helps meet our goal of generating \$24 billion in investment in energy and mining over the next six years to create 8,000 new direct jobs.

As well, the ministry has made significant progress in building relationships with First Nations. This year, the OGC has signed seven agreements with Treaty 8 First Nations, and talks are underway around the province. Through increased First Nations participation in the energy and minerals sectors, we can strengthen relationships and enhance the benefits from resource activities for First Nations and all British Columbians.

I am proud of the success the ministry has achieved this year, and look forward to even greater achievements in the years to come. In all, we will be guided by our commitment to restoring sound fiscal management, and this report is designed to reflect the open, accountable way in which our government serves British Columbians.

I am pleased to present the details of our success in this annual report for the fiscal year 2001/02.

A handwritten signature in cursive script, reading "Neufeld".

Richard Neufeld
Minister

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Year-at-a-Glance Highlights

Fiscal year 2001/02 was a significant year for B.C.'s energy and mineral resource sectors. Growth in the development of the province's oil and gas resources continued to be unprecedented, and continued to provide significant benefits to all British Columbians. At the same time, important steps were taken to re-ignite the mineral exploration and mining industries. Key achievements for fiscal 2001/02 are:

- Set a record sales value of oil and gas production of \$4.1 billion, which provided direct revenue of \$1.3 billion to the province.
- The mining industry produced 26.5 million tonnes of coal from seven mines, which was valued at approx. \$1,068 million in 2001. About 96 per cent was metallurgical coal, which is sold to some North American steel producers, but is mainly exported to steelmakers in Asia, Europe and South America.
- The mining industry produced coal, copper, gold, silver, zinc, lead and industrial minerals and construction aggregates, which were valued at \$2.9 billion in 2001.
- Introduced a new 20 per-cent flow-through share tax credit for new mineral exploration in B.C. that is harmonized with the federal government's 15 per cent flow-through tax credit to provide tax savings and credits worth 63 per cent of share investments.
- Launched a five-member Energy Policy Task Force to develop a comprehensive, long-term energy policy for B.C.
- Completed several interim measures that increased First Nations' participation in the oil and gas and mineral sectors, and signed seven revised agreements with Treaty 8 First Nations.
- Launched the consultation phase of the Map Selection Implementation Project, which is a new electronic program for staking mineral claims.
- Committed to a three-year partnership with the Geological Survey of Canada to study the oil and gas potential of the province's interior sedimentary basins.
- Appointed a three-member scientific panel on October 21, 2001, to determine the feasibility of developing B.C.'s offshore oil and gas resources. This complemented the work of a six-member task force made up of Northern MLAs, who were asked to report on the views of northern communities and First Nations on offshore oil and gas development.
- Amended the petroleum and natural gas royalty and freehold production tax regulation to create a new royalty regime for coalbed methane.
- Completed a thorough review of the ministry's essential services, and established a new three-year plan to deliver these services.

Ministry Role and Services

Introduction

The Ministry of Energy and Mines plays an important role in ensuring the long term growth and sustainability of the province's energy and mineral sectors.

Fiscal year 2001/02 saw unprecedented growth in the development of B.C.'s oil and gas resources and a one-time increase in revenue from electricity trade. These developments contributed significantly to the province in terms of direct and indirect employment opportunities and revenues that supported services such as health care and education. Over the past year, the Ministry of Energy and Mines took critical steps to strengthen the contribution the oil and gas industry makes to the province. The results are already being felt. In 2001/02, the oil and gas industry contributed \$1.3 billion to provincial coffers.

The ministry also took steps to revitalize mining and mineral exploration in B.C. While a small increase in exploration expenditures did occur in 2001/02, the minerals sector continued to face challenges. With continued efforts, the goal is to foster renewed growth in mineral exploration and mining to create investment and jobs for British Columbians.

Vision

The Ministry of Energy and Mines serves as the catalyst and facilitator for the development of thriving, sustainable and competitive energy and mineral resource sectors for the benefit of all British Columbians.

Mission

The Ministry of Energy and Mines promotes a competitive investment climate, which encourages responsible development of energy and mineral resources, supports job creation, and ensures environmental protection and public and worker health and safety.

The Ministry of Energy and Mines responsibilities are to:

- manage the disposition of mineral and petroleum rights;
- encourage responsible development of B.C.'s energy and mineral resources;
- enhance B.C.'s position as a key player in global energy and mineral sectors;
- implement regulations to protect public and worker health and safety, and the environment; and
- provide policy, legislation and geoscience advice and support for the foregoing activities.

The Minister of Energy and Mines is also responsible for BC Hydro, Oil and Gas Commission, B.C. Utilities Commission, Columbia Basin Trust, Columbia Power Corporation, Mediation and Arbitration Board and Assayers Certification Board of Examiners. Each agency submits its own annual report.

Core Values/Principles

The following values and principles guide how the Ministry of Energy and Mines delivers its mandated responsibilities:

Advocacy	• The ministry promotes the economic development of B.C.'s energy and mineral resources to create prosperity for all British Columbians. • The ministry represents the interests of the energy and mineral sectors to broader stakeholder groups and assists responsible development of those sectors. • The ministry informs the government, industry and citizens of the province of the benefits of responsible resource development.
Integrity	• The ministry is committed to developing the province's energy and mineral resources in a fair and responsible manner, while protecting health, safety and the environment.
Transparency	• The ministry ensures its regulations and processes are applied in a fair and open manner, and that related and relevant information is adequately communicated to its stakeholders and the general public.
Responsiveness	• The ministry strives to respond to the needs of its stakeholders in a timely and effective manner.
Efficiency	• The ministry strives to deliver its programs and strategies in the most efficient manner to enhance B.C.'s competitiveness as a resource investment location.
Accountability	• The ministry is accountable to government and the public and strives to ensure that its actions deliver the results put forth in its service plan.

Performance context

Internal and external factors can have a significant impact on the ministry's activities and results.

External factors

In recent years, strong U.S. demand has bolstered B.C. exports, particularly natural gas and electricity. As well, high energy prices supported a surge in oil and gas exploration. In B.C., the Ladyfern natural gas field discovery, one of Canada's largest finds in the past 15 years, has put the province on the map for global investors and generated increased activity and investment.

One of the main factors affecting the success of the minerals sector was low commodity prices. In addition, uncertainty due to unresolved First Nation land claims and access to land and security of tenure as a result of land-use planning continued to have an effect. While commodity prices are out of the ministry's control, significant progress was made toward building effective relationships resulting in several mutually beneficial agreements with First Nations.

As well, the global economy slowed in 2000/01, beginning in Asia in the first half of 2000 and then affecting Europe and finally the United States and Canada in early 2001. This resulted in lower demand for commodities, lower prices and reduced export volumes. Company earnings generally fell in each quarter of 2001, reducing investor confidence and resulting in significant declines in all major market indices.

Consumer confidence also diminished, particularly following the September 11, 2001, terrorist attacks that continue to have economic costs, including reduced spending and demand. Following these events, new security provisions have been put in place that will impact cross-border market access for future trading. In addition, in May 2001, the United States released its National Energy Policy paper and is developing comprehensive electricity legislation that could further affect trading relationships. B.C. has begun engaging Canadian and American counterparts on all of these matters.

These external factors have significantly affected B.C. Despite this, the energy and minerals sectors contributed significantly to the provincial economy and are expected to play major roles in B.C.'s economic renewal in the years ahead.

Internal factors

The Ministry of Energy and Mines worked to align its planning and operational timeframes with resource industries. It began working on a new organizational structure that considers the ageing ministry workforce, improves co-operation and co-ordination with other government ministries such as Water, Land and Air Protection and Sustainable Resource Management, and enhances the single-window agency approach to increase efficiency. Valuable progress has been made, and ongoing improvements are expected to significantly improve ministry operations in the years ahead.

Strategic Shifts

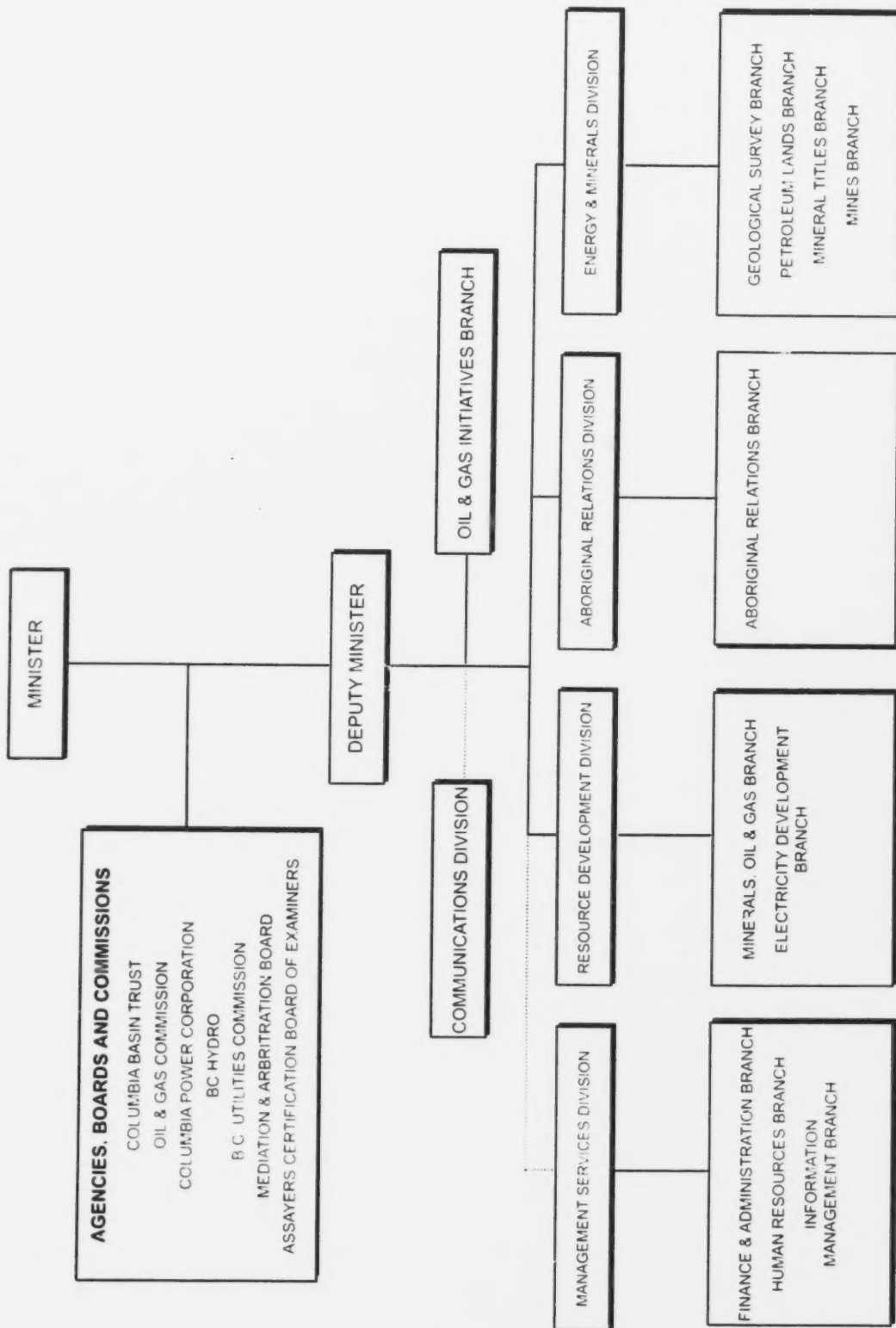
As a result of the Ministry of Energy and Mines three-year service plan released in February 2002, the ministry will shift from a prescriptive regulatory and administrative approach to a focus on fostering a more competitive business climate. The goal is to facilitate investment and responsible development of B.C.'s energy and mineral resources. Major shifts are:

- from a lack of certainty for investors to attracting investment in existing and new surface and subsurface energy opportunities;
- from a complex, multi-agency permitting process to a streamlined, single-window approach; and
- from process-based, prescriptive regulations to flexible, results-based regulations and performance-based compliance and enforcement models.

These shifts allow the ministry to contribute to a thriving private sector economy that generates high paying jobs for British Columbians and supports vital public services such as health care and education.

Major initiatives over the next three years will include implementing a new energy policy, streamlining permitting processes for both the oil and gas industry and the minerals sector, and completing the process of cutting red tape by a third.

MINISTRY OF ENERGY AND MINES*



* This organization chart is reflective of fiscal year 2001/2002. As part of the Ministry of Energy and Mines three-year service plan, a new organization structure was announced on May 17, 2002.

Organizational Structure

Corporate Services

The Ministry of Competition, Science and Enterprise provides some executive support services including support for the deputy minister's office and communications division, as well as administrative support services for the ministry. Grants and contributions are also provided through corporate services in support of ministry initiatives.

Management Services Division

The division provides financial, personnel, information systems, records management, information and privacy and employment equity support.

Communications Division

The division develops and implements communications, media and public relations, and issues management plans for the ministry. As of mid-2001, the division reported directly to the Public Affairs Bureau of the Premier's office.

Oil and Gas Initiatives Branch

The branch promotes the growth and development of the oil and gas industry. Initiatives include facilitating investment, encouraging producers to use local service companies, overseeing a five-year public road rehabilitation program, developing a coalbed methane regulatory and fiscal regime and various other initiatives designed to maximize the return to the province and its people from the oil and gas industry. The branch also collects and disseminates statistics, analyzes and forecasts market conditions, and promotes and markets provincial resource potential.

Resource Development Division

Provides evaluation, strategic planning and policy development on the province's energy and mineral resources, including:

- assessing environmental, socio-economic and financial aspects of resource development and resource/land-use options;
- identifying and developing government policies and programs affecting the energy and mineral resource sectors; and
- administering First Nation revenue-sharing agreements and the Vancouver Island Natural Gas Pipeline Agreement. Government transfers are provided for the Vancouver Island Natural Gas Pipeline Agreement.

Energy and Minerals Division

The division's resource management branch maintains an inventory of mineral, coal and geothermal reserves and resources in B.C.; maintains databases, surveys and a library of industry assessment reports; conducts geological and geochemical surveys to identify areas and geological environments favourable for mineral discoveries; administers and disposes petroleum, natural gas and geothermal resource rights; maintains a title registry; collects fees, rentals and tender bonuses; administers title to provincial mineral and coal resources; negotiates fair compensation for mineral and coal titles expropriated under the *Park Act*; and provides grants and contributions for resource studies and projects.

Regulation, inspection and enforcement staff administer provincial legislation, regulations and guidelines related to exploration, production and reclamation activities of geothermal and mining industries to ensure safe operations, environmental responsibility and resource management.

Aboriginal Relations Division

The division supports revenue generation by promoting business relations between First Nations and the mining and oil and gas industries and by encouraging aboriginal participation in the industry; negotiates and implements protocols and memoranda of understanding with First Nations related to ministry responsibilities; supports negotiations between industry and First Nations for joint ventures, partnerships and other agreements; develops and implements employment and training initiatives; and develops ministry policy on First Nation consultation and participation in the oil and gas and mineral resource sectors.

Update on New Era Commitments

The following table identifies the government's priorities for which the ministry is responsible, and describes the current status of each priority.

New Era commitment	Achievements
<i>Encourage mineral exploration Provide faster approvals and greater access to Crown land and resources, to protect and create jobs in mining</i>	To stimulate investment in the mining industry, the ministry: - introduced a new 20 per cent flow through share tax credit for new mineral exploration in B.C. The tax credit is harmonized with the federal government's 15 per cent flow through tax credit to provide tax savings and credits worth 63 per cent of share investments; - eliminated provincial sales tax on production machinery and equipment for the minerals industry; - began developing a number of legislative changes to the <i>Coal Act</i>, <i>Mineral Tenure Act</i> and <i>Mines Act</i>; - launched the consultation phase of the Map Selection Implementation Project aimed at enhancing mineral title administration, and - began developing guidelines for public-private partnership with industry to provide the geological data required to expedite the search for new minerals.
<i>Provide faster approvals and greater access to Crown land and resources, to protect and create jobs in oil and gas production</i>	To stimulate investment in the oil and gas industry, including underdeveloped resources like coalbed methane, the ministry: - began developing legislative changes to the <i>Petroleum and Natural Gas Act</i> and the <i>Oil and Gas Commission Act</i>; - held coalbed methane information sessions with other provincial agencies, local governments, the public and First Nations; - introduced a new royalty regime specific to coalbed methane and extended the base 9 royalty designation for conventional and coalbed methane gas, which became effective on March 1, 2002; - eliminated provincial sales tax on production machinery and equipment for the oil and gas industry; and - established an Energy Geoscience section within the ministry and entered into a three-year partnership with the Geological Survey of Canada to study the oil and gas potential of interior basins.
<i>Reduce the red tape and regulatory burden on B.C. business by one third</i>	As part of the Province's deregulation initiative, the ministry: - identified 19,083 regulatory requirements in ministry legislation, regulations and policy and developed a strategy to eliminate one third of these requirements; and - began developing legislative changes under the <i>Mineral Tenure Act</i>, <i>Petroleum and Natural Gas Act</i>, <i>Mines Act</i>, <i>Oil and Gas Commission Act</i> and <i>Energy, Mineral and Petroleum Resources Act</i>.
<i>Consider the Northern Development Commissioner's report on offshore oil and gas</i>	- The Northern Development Commissioner's report was submitted to government on July 5, 2001; government declined to adopt the recommendations of the report. - On July 10, 2001, the Premier announced that the Northern Caucus would consult with northern residents, communities and First Nations on a number of issues including the Commissioner's report.
<i>Eliminate government subsidies to businesses that give some taxpayer subsidized business an unfair advantage over their competitors.</i>	The ministry eliminated: - Power for Jobs program; - Industrial Energy Efficiency program, and - Renewable Energy Technology program.

New Era commitment	Achievements
<i>Restore consumers' right to Hydro rates that are independently set by the B.C. Utilities Commission, and not artificially inflated by government interference</i> <i>Restore an independent B.C. Utilities Commission, to re-regulate B.C. Hydro's electricity rates</i> <i>Encourage job creation from viable, independent power production projects that will increase benefits to consumers through greater competition</i> <i>Protect B.C. Hydro and all of its core assets, including dam, reservoirs and power lines under public ownership</i> <i>Promote clean and renewable alternative energy sources like wind, thermal, solar, tidal biomass and fuel cell technologies</i>	• In August 2001, the Province appointed a five member Energy Policy Task Force to provide strategic issues for consideration in a new energy policy framework that will ensure a safe, reliable and diverse supply of energy for British Columbians. • The task force considered issues such as demand supply balance for energy, outlook for energy infrastructure requirements for the next decade, accountability, competitiveness and environmental issues. Topics reviewed included oil and gas, electricity, coal, alternative and renewable energies and regulation. • The task force submitted an interim report on Nov. 30, 2001, which was publicly released. • The task force held more than 50 meetings with various stakeholders, including industry, communities and other stakeholders on its interim recommendations report. • The task force submitted a final report on March 15, 2002. • Government is reviewing the recommendations of the task force and expects to implement a comprehensive new energy policy in the coming months.

Ministry of Energy and Mines

On June 25, 2001, the Premier assigned the Minister of Energy and Mines a number of key projects and priorities for the ministry. Some of these projects relate to *New Era* commitments noted above.

Government priority	Achievements to date
<i>Develop an energy policy that balances the role our energy resources can play in the economic development of the province with the export and revenue opportunities that these resources represent. The policy addresses issues related to the regulatory environment and government stewardship.</i>	As described in the <i>New Era</i> achievements, the Province is developing a new energy policy according to these principles.
<i>Examine opportunities to further improve efficiency of the Oil and Gas Commission</i>	The ministry and OGC have reviewed OGC processes through the deregulation initiative and the Core Services Review process. A number of specific regulatory requirements were identified for elimination to strengthen governance, enhance single window authorities, improve client and stakeholder services and streamline permitting and application review process.
<i>Review the offshore oil and gas report prepared by the Northern Development Commissioner and make recommendations in conjunction with the Ministry of Water, Land and Air Protection and Ministry of Sustainable Resource Management.</i>	- In addition to the Northern Caucus task force described in the <i>New Era</i> achievements, in September 2001, the Ministry of Energy and Mines contracted Jacques Whitford Environment Ltd., to undertake a review of current technology related to offshore oil and gas. The ministries of Sustainable Resource Management and Water, Land and Air Protection participated in the assessment of proposals and in the review of the draft report. In October 2001, the ministry publicly released this report that concluded that offshore exploration could occur without unacceptable risk to the environment. - Subsequently, the ministry appointed a three member scientific review panel on Oct. 19, 2001, to determine if offshore oil and gas resources can be extracted in a scientifically sound and environmentally responsible manner. - Concurrently, the Northern Caucus task force began visiting northern communities to gather input on offshore oil and gas development from northern residents and community leaders. - Both the scientific review panel and task force submitted reports to government on Jan. 15, 2002. - In conjunction with the Ministry of Water, Air and Land Protection, the Ministry of Energy and Mines held briefing sessions with the other provincial agencies, federal government, industry, northern coastal communities and First Nations prior to publicly releasing the report on May 1, 2002. The ministry also provided \$2 million to the University of Northern British Columbia for further scientific and technical research.
<i>Funding for Power for Jobs has been frozen, review and make recommendations regarding reallocation of the funding</i>	The Power for Jobs program has been eliminated.
<i>Participate actively in supporting the success of the Ministry of Sustainable Resource Management</i>	The ministry continues to work with MSRM in a variety of areas including strategic land use planning, First Nations issues (interim measures, consultation processes, etc.), environmental assessment, land access issues and tenures. The deputy minister of Energy and Mines is also a member of the Deputy Ministers' Committee on Natural Resources and the Economy.

Performance Reporting

A performance measure can be used to indicate the degree of success a ministry has in achieving its goals and objectives.

The performance measures are integrated into this section, which looks at the business plan objectives in more detail and highlights the specific target and activities that were undertaken to achieve each objective.

Strategic Outcome: Revitalize the mineral industry

Objective #1 — To responsibly increase mineral exploration and development

Target for 2001/2002	Actual for 2001/2002
Record exploration expenditures of \$30 million.	\$32 million in exploration expenditures.
Realize \$300,000 in new revenue from industrial minerals.	\$781,000 in new revenue from industrial minerals in 2001.

Performance Summary

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Mining strategy.	Stimulate exploration and development.	- Exploration expenditures (target is \$30 million). - Number of claims in good standing. - Number of free miners certificates issued. - Number of metres of exploration drilling.	\$32 million - stable 3,988 220,000	7% increase - little change 5% decrease 15% increase
Improve regulatory and financial environment.	- Host the 2001 International Forum on the Geology of Industrial Minerals. - Enhance mineral tax audit capacity.	Conference hosted	- Successful conference - Responsibility transferred to the Ministry of Provincial Revenue, June 2001.	N/A

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Complete over 250,000 hectares of geological survey.	• Release at least 45 new reports	• Release reports.	• Mapping completed and more than 50 new reports published.	• Exceeded the area to be mapped by 15% and the number of reports by 10%.
Enhance tenure administration.	• Enhance MapPlace.	• Coal licence and lease information added to MapPlace. • Complete vectorization of Crown granted mineral claims. • Produce feasibility report on map staking. • Produce 1,000 1:20,000 base maps (TRIM, Phase II).	• Work has started on this project for high priority areas of the province. • All Crown-granted claims have been vectorized. Final verification is required. • Report produced and accepted. • 1,517 1:20,000 base maps produced.	• Project is on track. • This is now a joint responsibility with the Ministry of Sustainable Resource Management. • Information will be imported into a map data set. • Consultation with users has commenced. • This is now a responsibility of the Ministry of Sustainable Resource Management. • Exceeded target by 51%.
Improve the province's gravel supply inventory.	• Provide provincial response and implement Aggregate Advisory Panel recommendations. • Publish Best Management Practices Handbook.	• Response developed and recommendations implemented. • Publication of Handbook.	• Response pending. • Handbook published.	• Target not achieved; however work continues. • Target achieved.

Strategic Outcome: Responsibly increase oil, gas and energy activity

Objective #2 — To responsibly develop new energy resources

Target for 2001/2002	Actual for 2001/2002
• Increase total energy revenues by \$60 million.	• \$1.3 billion in revenue.

Performance Summary

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Begin reviewing a provincial energy policy.	• Establish an Energy Policy Task Force to provide strategic issues for consideration in a new energy policy framework.	• Task Force established. • Energy policy framework created.	• In August 2001, the Province appointed a five-member task force. • The task force submitted an interim recommendations report on Nov. 30, 2001, which was publicly released. • The task force held more than 50 meetings with various stakeholders, including industry, communities and other stakeholders on its interim recommendations report. • The task force submitted a final report on March 15, 2002.	• Government is reviewing the recommendations of the task force and expects to implement a comprehensive new energy policy in fiscal year 2002/03.
Assess the Northern Development Commissioner's report on offshore oil and gas.	• Assess Northern Development Commissioner's report.	• Receive report. • Respond to recommendations.	• Government declined to adopt the recommendations of the report and instead appointed members of the Northern Caucus to consult with coastal communities, including First Nations, on offshore oil and gas development.	• 100% completed.

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Increase deep gas exploration	- Establish a scientific panel to further explore the potential for developing B.C.'s offshore oil and gas resources. - Develop deep gas exploratory incentive.	- Scientific panel established. - Respond to recommendations. - Development of incentive.	- Scientific panel report completed and delivered to Minister of Energy and Mines in January 2002. - Premier and federal Natural Resources Minister agreed to cooperate on offshore in March 2002. - No action taken.	100% completed. - Target not achieved, but will be pursued in fiscal 2002/03.
Develop coalbed methane.	- Realize at least one CBM pilot project. - Develop and implement a CBM fiscal and regulatory framework to facilitate CBM development.	- Number of pilot projects - Regulatory and fiscal changes implemented. Regulatory changes created to eliminate onerous and inappropriate regulation for CBM development.	- Two pilot projects commenced; five other experimental schemes underway. - Royalty regime for CBM developed and put in to regulation.	- Target achieved and surpassed. - Target achieved
Improve regulatory and financial environment.	- Update and distribute Natural Gas Industry Competitiveness Study. - Convert all B.C. oil and gas rights to Crown reserve. - Implement low productivity reduction in gas royalties	- Update study completed and distributed. - Project completion date. - Low productivity rate to be implemented in royalty regulation.	- Study update completed, results to be distributed. - Conversion to Crown reserve complete. - Low productivity rates are now part of CBM royalty regime	- Target partially achieved. Study was distributed in late June 2002. 100% complete. - Further work to be done to develop low productivity rates for gas other than CBM.

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Infrastructure plan	• Reduce validation period to 10 months for oil royalties and nine months for gas royalties. • Assess regulatory and economic measures affecting ethanol production.	• Fuel ethanol production.	• Responsibility was transferred to the Ministry of Provincial Revenue in June 2001. • Guiding review of a proposal by the ministries of Finance and WLAP to extend the Motor Fuel Tax exemption to ethanol-blended diesel in addition to the current exemption for gasoline. • Worked with individual ethanol project proponents to identify regulatory and other barriers. • Monitored proposals for broad based biofuel standards being developed in Canada and the United States.	• Review is underway, required data from industry to begin review. • Work continues. • Work continues.
	• Implement a long term management plan for Sierra Yoyo Desan Road. • Assess merits of provincial assistance for specified resource development roads.	• Plan in place. • Business case for public expenditure developed.	• Two year plan developed and long term plan under development. • Data collected to evaluate value of roads.	• Short term target achieved. • Long term plan requires completion of engineering studies currently underway. • Business case yet to be developed.
Geological surveys	• Complete studies in at least three areas of high oil and gas potential.	• Studies in new areas.	• Studies in Fernie and Flathead completed. Bowers, Nechako studies commenced.	• Target substantially achieved. Larger studies will be multi-year projects.

Strategic Outcome: Enhance B.C.'s position as a key player in global energy and mineral sectors

Objective #3 — To support growth of energy and mineral initiatives

Target for 2001/02	Actual for 2001/02
• Increase investment in B.C. energy and mineral exploration.	• \$4.3 billion invested in energy sector in 2001, an increase of 23 per cent over the previous year. • \$32 million invested in mineral exploration in 2001.

Performance Summary

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Establish marketing and external relations branch.	• Develop and deliver marketing strategy for energy and mineral resource development • Implement approved strategies.	• External Relations Branch established • Investment attraction and marketing strategy developed and implemented.	• External Relations Branch formally established in May 2002 • Investment attraction and marketing strategy developed (July-August 2001) and first year of plan implemented. • Delivered ministry investment attraction component at five major mining and oil and gas trade shows. • Organized ministerial visits to over 30 priority investment prospects in Vancouver, Calgary, Toronto, Dallas and Houston (including minister's participation in the 2001 Team Canada Investment Mission).	• Establishment of a formal External Relations Branch was 60 days later than planned, but an informal investment attraction and marketing team was in place by July 2001. • Number of trade shows participated in and priority investor visits by minister were in line with targets established in ministry investment attraction and marketing strategy

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Community relations. Access to land and resources. (This responsibility has been transferred to the Ministry of Sustainable Resource Management, but MEM continues to participate.) Improve relations with First Nations.	• Publish socio-economic study on oil and gas industry in northeast B.C. • Provide for energy and mineral access and development requirements in all land planning initiatives. • Develop and apply consistent valuation of energy and mineral resources to all land use initiatives. • Enhance energy and mineral resource representation in planning initiatives. • Implement Kaska Dena Interim Measures Agreement. • Develop and hold information sessions with First Nations in areas with potential for CBM development.	• Study completed. • Provisions for energy and mineral access and development in all land-use plans. • Consistent valuation criteria developed and used. • Energy and mineral sector representatives participate in planning initiatives. • Implement the Kaska Dena Interim Measures Agreement that includes a consultation process, training and economic development opportunities. • Number of First Nations met.	• Study under development. • Access and development provisions in most land-use plans. • Valuation criteria under development. • Mining sector representation increased. • Improved working relationships with the Kaska Dena. Increased First Nations participation in the oil, gas and mining economies. • Sessions held with representatives of 45 bands.	• Contributions made to regional group heading the study, which is moving forward. • Good progress made; additional issues need to be resolved in ongoing planning process. • Good progress made; additional issues need to be resolved in ongoing planning process. • Target achieved. • 100% completed. • Target achieved.

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
	• Sign revised MOUs with Treaty 8 First Nations. • Develop a regulatory framework for consistent administration of subsurface resources included in treaty settlements. • Develop and deliver projects to increase opportunities for First Nations in subsurface resource development	• Sign revised agreements with Treaty 8 First Nations • Develop a sub-surface evaluation methodology or tool and process that complements existing regulatory frameworks. • Provide industry support in building relationships, joint ventures, and overall enhanced First Nations participation, including increasing First Nations participation at industry events, community information forums for CBM, and providing training and development opportunities, building business capacity and education.	• Signed seven revised agreements. • Improved working relationship with Treaty 8 First Nations • Increased economic certainty for First Nations, industry and government. • Recognized exceptional values of subsurface resources for treaty negotiations. • Increased First Nations participation in the oil and gas and mining sectors. • Enhanced provincial economy.	• Target achieved. • Complex technology required for development — completion scheduled for early 2002/03. • Targets surpassed

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Mining Rights Compensation Claims	• Complete each stage of the five-year archaeology study in northeast B.C. • Negotiate 17 settlement awards for mineral claims that have been expropriated for parks creation	• Development of an iterative, predictive model for archeological sites. • Annual report submission to project steering committee. • Number of claims settled.	• Completed the first iteration of the model and second annual report. • 15 claims settled.	• Target achieved. • Target achieved, two claims require further negotiations.

Strategic Outcome: Ensure environmental integrity and the highest health and safety standards in energy and mineral resource development

Objective #4 — To maintain high environmental and health and safety standards

Targets for 2001/02	Actual for 2001/02
• Encourage voluntary efforts to improve industrial energy efficiency and as a result help manage greenhouse gas emissions from industry operations. • Establish one new gas processing plant utilizing acid-gas injection technology. • Maintain an accident frequency of 2.5 or fewer incidents per 200,000 person hours worked.	• All incentive programs have been eliminated. • Two acid-gas injection well applications were approved. • Actual accident frequency was 2.62 incidents per 200,000 person hours worked.

Performance Summary

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Climate change.	• Achieve all targets in provincial Climate Change Action Plan.	• Energy carbon management strategy. • Renewable energy initiative. • Fuel ethanol production • Industry energy efficiency audits and incentives.	• Work ongoing with federal provincial working groups to formulate policy frameworks. • \$12,500 committed to geologic sequestration study undertaken by Canadian Energy Research Institute. • \$10,000 contribution to Ethanol BC.	• The Ministry of Water, Land and Air Protection is leading the province in the National Climate Change Process and development of a provincial response to climate change. • Original funding approval rescinded. • Original funding approval rescinded.
Gas emissions.	• Develop a regulatory and fiscal regime to encourage safe disposal of acid gas.	• Regimes developed.	• Acid gas disposal agreement drafted.	• Regulatory delay through the National Energy Board postponed the project and the agreement.

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Mine health and safety.	• Complete site inspections at all major mines and 50% of small mines • Complete site inspections at 50% of exploration sites. • Conduct at least 12 Health and Safety inspections at each major mine. • Conduct training for at least three occupational health and safety committees • Provide musculoskeletal disorder training for 10 mines • Organize and participate in mine rescue competitions	• Number of site inspections at all major and small mines • Number of inspections at exploration sites. • Number of inspections at major mines • Number of occupational health and safety training course. • Number of mines with musculoskeletal training. • Mine rescue competition.	• All 61 producing mines inspected (516 inspections), 50% of other mines were also inspected • 276 inspections at exploration sites, 287 new exploration sites • All major mines were inspected 12 times except two, which were inspected 11 times. • Training was completed at 27 mines for OHSC and supervisors. • 10 sessions for musculoskeletal training were held • Provincial Mine resource competition held in Campbell River. • Supported the South Central and Northern Zone competition and the East Kootenay Mine Industrial Safety Association competition • Hosted the bi-annual Western Regional Mine Rescue competitions in Fernie in September 2001	• Target achieved. • Target achieved. • Fording Coal and QR mines inspected 11 times • Target achieved and surpassed • Target achieved • Target achieved
Mine reclamation and abandoned mines.	• Implement risk based reclamation security guidelines.	• Preparation of informal guidelines.	• Security bonds established to reflect informal guidelines.	• Target achieved, formal guidelines to be completed.

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
	• Implement use of performance bonds as acceptable form of reclamation security • Manage remediation programs at Britannia mine site.	• Performance bond policy developed and implemented • Acceptable discharge of mine drainage to Howe Sound by 2003/04.	• Performance bonds are being submitted • Remediation initiated, adit plug installed at 2200 level, remediation plan being developed	• Target achieved. • Remediation is on schedule.

Strategic Outcome: Attract and retain qualified staff

Objective #5 — To be a responsive, adaptable and accountable organization

Targets for 2001/02	Actual for 2001/02
• Complete succession planning for all branches. • Utilize technology to increase ministry efficiency. • Implement the new government Windows 2000 standard environment.	• Completed as required. • Completed. • Completed.

Performance Summary

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Succession planning.	• Implement a succession planning process. • Implement ministry employee recognition initiative. • Offer flexible work environment to encourage retention.	• Succession planning met organizational requirements. • Completed employee recognition. • Implemented flexible work arrangements.	• Succession planning done as required in anticipation of imminent retirements. • Employee recognition completed case by case. • Flexible work arrangements were implemented where employee requests could be balanced with operational requirements.	• Completed
Training.	• Ensure all staff receives training based on the organization's priorities. • Implement alternative dispute resolution training program for mediation and arbitration board members.	• Supply training plan to all employees. • Provide options for meeting identified training needs. • Link staff training and development to performance planning process.	• Completed as required.	• 100% of required training completed.

Ministry of Energy and Mines

Actions/Strategies	2001/02 Performance Targets	Performance Measures	2001/02 Performance Outcomes	Variance
Update software.	• Upgrade and install software components and systems, and provide employee training for identified products.	• Upgrade and install 1,400 software components and 281 systems by August 2001 • Provide employee training for identified products. • Project coordinated with Windows 2000 government project • Develop and implement plans to deliver ministry programs and initiatives via Internet	• Completed July 31, 2001 • Completed Oct. 15, 2001 • Plans have been developed • Several initiatives have been completed • Work continues on new initiatives	• 100% completed. • 100% completed. • 90% complete, work continues on one initiative.

2001/02 Resource Summary - unaudited

	Estimated	Other Authorizations	Total	Actual	Variance
Operating Expenses (\$000)					
Minister's Office	382		382	333	49
Corporate Services	11,182		11,182	11,996	(814)
Energy and Minerals	16,239		16,239	15,879	360
Resource Development	36,158		36,158	32,715	3,443
Total — Ministry Operations	63,961	0	63,961	60,923	3,038
B.C. Utilities Commission	1		1	0	1
Resource Revenue Sharing Agreements	2,500	3,200	5,700	5,700	0
Special Account					
Vancouver Island Natural Gas Pipeline	1,001		1,001	281	720
Other					
Mines reclamation — Mines Act (s 17 (2))		20	20	20	0
Total	67,463	3,220	70,683	66,924	3,759
Full-time Equivalents (FTEs)					
Total	286		286	262	24
Ministry Capital Expenditures (\$000)					
Information Systems	460		460	362	98
Other	534		534	438	96
Total	994	0	994	800	194
Other Financing Transactions (Net Disbursements) (\$000)					
Columbia Basin Accord	50,000		50,000	50,000	0

Statutory Appropriation — Resource Revenue Sharing Agreement payments are made to First Nations to share revenue received from petroleum, natural gas and mineral extraction under federal/provincial agreement and agreements with First Nations.

Annual Report Appendices

Glossary of Ministry of Energy and Mines Terms

Acid gas	The hydrogen sulphide and/or carbon dioxide contained in or extracted from gas or other streams.
Base 9 royalty	Introduced in June 1998, the base 9 royalty is a minimum nine-per-cent royalty on new production from an oil and gas tenure acquired between June 1, 1998 and Dec. 31, 2001, that is drilled within five years of acquisition. Effective March 1, 2002, the base 9 royalty eligibility was extended by two years to Dec. 31, 2003, and the regulation was made retroactive to Jan. 1, 2002.
TRIM base map	Terrain Resource Inventory Mapping is the established standard for mapping used by the provincial government. The ministries of Water, Land and Air Protection, Forests and Transportation also use it. It integrates a wide range of accurate and timely resource management information and combines the mineral tenure layer with the most advanced and accurate base map available in the province. Map can also be linked to other resource management data, such as notices of work, statements of work, mineral potential, Crown land registry, forestry and aboriginal affairs.
Climate change	Climate change is a change in the "average weather" that a given region experiences. Average weather includes all the features associated with the weather such as temperature, wind patterns and precipitation. Climate change on a global scale refers to changes in the climate of the Earth as a whole.
Coalbed methane	Coalbed gas is formed by biochemical and physical processes during the conversion of plant material into coal. Methane constitutes the majority of gases created during the conversion process. It is similar to conventional natural gas, but is produced from low-pressure underground coal formations rather than from underground sandstone or carbonate rock formations. It is referred to as a "sweet gas" as it typically contains very few impurities such as hydrogen sulphide and carbon dioxide normally found in natural gas.
Deep gas	Gas that is extracted from deep beneath the surface.
Flow-through share tax credit	Allows individuals who invest in flow-through shares to claim a non-refundable tax credit equal to 20 per cent of their B.C. flow-through mining expenditures. Any unused credit at the end of a taxation year may be carried back three years or forward 10 years. B.C. flow-through mining expenditures are specific exploration expenses that are incurred after July 30, 2001, and before Jan. 1, 2004 and renounced by the corporation issuing the flow-through shares. This tax credit program is harmonized with the federal government's 15-per-cent flow-through tax credit to provide tax savings and credits worth 63 per cent of share investments.

Geoscience	The study of earth sciences, including geology, geochemistry, geophysics. At the Ministry of Energy and Mines, it includes geological mapping, resource evaluation, and economic geology as it relates to metallic minerals, industrial minerals, coal and energy products and oil and gas.
Geothermal resources	Geothermal resources include the earth's natural heat and all substances that get added value from it. This includes steam, water, water vapour, and all substances dissolved in the steam, water, or water vapour obtained from a well. It does not include water at less than 80 degrees centigrade at the surface or hydrocarbons.
Low productivity reduction	A reduction in royalty and freehold production tax rates for natural gas produced from low productivity wells. This reduction is intended to improve recoveries of natural gas reserves by extending the economically viable life of gas wells and some oil wells. Low productivity wells are well events with average raw gas production less than 5000 m3 per day during a month.
Map selection	A mineral titles initiative that will design and make available a fully computerized mineral titles staking system. Clients will select mineral claims via a computer interface on the Internet versus the old ground-staking system of locating claim posts by walking the boundaries of a proposed claim. Map Selection is expected to be fully implemented by April 2004.
MapPlace	A vector-based Internet geographic information system that allows clients to search, view and construct their own maps of British Columbia using Ministry of Energy and Mines geoscience databases, as well as information made available by other ministries.
Petroleum and Natural Gas Rights and Freehold Production Tax Regulation	This regulation was created under the authority of the <i>Petroleum and Natural Gas Act</i> . It defines the methods of calculating petroleum and natural gas production royalties and freehold production taxes, powers of the royalty administrator, reporting requirements, penalties, and the appeal process.
Reclamation	The act of returning the land and watercourses disturbed by mining to a productive use, equal to or better than the pre-mining condition.
Sour gas	Gas containing an appreciable quantity of hydrogen sulphide and/or mercaptans.
Succession planning	A plan for succession is a deliberate and systematic effort by an organization to ensure continuity in key positions and to encourage individual development. Planning for succession requires an assessment of an organization's key staffing requirements based on its long-term strategic and business goals. When these requirements are compared to an assessment of the organization's current employee base, the results should be a clear indication of the gap between current resources and future demands.

Performance bonds	A form of financial guarantee issued by an insurance company to guarantee the performance of a certain action such as reclamation. If a company does not complete its obligations, the insurance company can either arrange for the work to be completed or pay cash to government.
Sweet gas	Raw natural gas with a relatively low concentration of sulphur compounds, such as hydrogen sulfide.
Tight gas	Gas with very low flow rates that is found in sedimentary layers of rock that are cemented together so tight that it greatly hinders the extraction. Getting tight gas out usually requires enhanced technology like "hydraulic fracturing" where fluid is pumped into the ground to make it more permeable.
Vectorization	A new method for mineral resource mapping that makes mapping considerably more accurate and legible and allows greater flexibility for users.

Crowns, Agencies, Boards and Commissions reporting to Minister of Energy and Mines

Assayers Certification Board of Examiners	An independent board of examiners drawn from educators and industry to oversee the assayers certification program, which is authorized in the <i>Ministry of Energy, Mines and Petroleum Resources Act</i> . This ensures that assayers practicing in British Columbia meet the high standards of competency required by the mining and securities industries. Since the program was introduced, over 600 assayers have been certified. B.C. is the only mining jurisdiction in the world that requires assayers to pass a rigorous practical examination before being certified.
BC Hydro	A provincial Crown corporation that is regulated by the B.C. Utilities Commission. BC Hydro's mission is to provide integrated energy solutions to customers in an environmentally and socially responsible manner.
B.C. Utilities Commission	A regulatory agency operating under and administering the <i>Utilities Commission Act</i> . The Commission's mission is to ensure that ratepayers receive safe, reliable, and nondiscriminatory energy services at fair rates from the utilities it regulates, and that shareholders of those utilities are afforded a reasonable opportunity to earn a fair return on their invested capital.
Columbia Basin Trust	A regional corporation created in 1995 to work with residents of the Columbia Basin to promote social, economic and environmental well-being in the region most affected by the Columbia River Treaty.
Columbia Power Corporation	A Crown corporation wholly owned and controlled by the Province of British Columbia. Pursuant to the Columbia Basin Accord signed in 1995, the primary mandate of CPC is to undertake power project investments as the agent of the Province on a joint venture basis with the Columbia Basin Trust.
Mediation and Arbitration Board	Provide mediation and arbitration support if parties have difficulty reaching agreement for oil and gas activity that takes place on private land. The owner has surface title, while the Province retains the rights to subsurface minerals, including petroleum, natural gas that can be explored and developed. Companies that acquire rights to carry out this activity must compensate affected property owners.
Oil and Gas Commission	The provincial agency that regulates the crude oil, natural gas and pipeline activities in B.C. Its mandate is to provide efficient processes for the review of applications related to the oil and gas sector, ensuring that decisions are made in the public interest — having regard for environmental, economic and social impacts.

Legislation Administered by the Ministry of Energy and Mines

Coal Act
Columbia Basin Trust Act
Economic Development Electricity Rate Act
Energy Efficiency Act
Fort Nelson Indian Reserve Minerals Revenue Sharing Act
Gas Utility Act
Geothermal Resources Act
Hydro and Power Authority Act
Hydro and Power Authority Privatization Act
Hydro Power Measures Act
Indian Reserve Mineral Resource Act
Mineral Land Tax Act
Mineral Tax Act
Mineral Tenure Act
Mines Act
Mining Right of Way Act
Mining Rights Amendment Act
*Ministry of Energy, Mines and Petroleum Resources Act (amended on May 9, 2002 to the Ministry of
Energy and Mines Act)*
Natural Gas Price Act
Oil and Gas Commission Act
Petroleum and Natural Gas (Vancouver Island Railway Lands) Act
Petroleum and Natural Gas Act
Pipeline Act
Power for Jobs Development Act
Utilities Commission Act
Vancouver Island Natural Gas Pipeline Act